

Press release

Paris, 18 September 2023

ALD | LeasePlan releases its strategic plan and financial objectives to 2026

ALD | LeasePlan is releasing today its new “PowerUP 2026” strategic plan.

At this occasion, Tim Albertsen, Chief Executive Officer, and the management team will be presenting a detailed overview of ALD | LeasePlan’s ambitions and main strategic operational and financial objectives on 21 September 2023 in Paris.

“PowerUP 2026” strategic plan

The “PowerUP 2026” strategic plan follows the recent closing of the LeasePlan acquisition on 22 May 2023, which established ALD | LeasePlan’s leadership position in the mobility sector, well ahead of the ambitions stated in the previous strategic plan, “Move 2025”.

ALD | LeasePlan now ranks #1 global multi-brand and multi-channel car leasing player and #1 in 29 countries. Offering the most valuable and innovative products to all client segments, it operated a total fleet of 3.4 million¹ fleet as at 30 June 2023, twice the size of its nearest competitor. ALD | LeasePlan owns the largest multi-brand Electric Vehicles (EVs) fleet in the world, at 428,000 vehicles, which reflects its leading role in the transition to sustainable mobility.

The mobility sector benefits from strong and structural growth, driven by long-term megatrends:

- Structural transition from ownership to usership is expected to accelerate, lifting the European usership market from 4.9 million vehicles in 2021 to 9.5 million vehicles in 2030,

¹ Excluding entities held for sale

i.e. +7.7% CAGR compared to 2021. All client segments are expected to grow, in particular the consumer market²;

- Demand for electrification is also set to accelerate, with c. 70% of new passenger cars and light commercial vehicles expected to be electric in Europe by 2030³;
- Increasing digitalization, emerging ecosystems and evolving competition are creating further growth opportunities.

Against this backdrop, the combination of its undisputed leadership, powerful global operating platform and strong financial profile, provides a unique position to ALD | LeasePlan to create value in the mobility industry.

With “PowerUP 2026”, ALD | LeasePlan will leverage on the power of leadership to shape the future of mobility and achieve excellence, by executing a strategic plan articulated around 4 priorities: clients, operational efficiency, responsibility and profitability.

• Clients

ALD | LeasePlan plans to launch a new brand by the end of the year, to create a powerful new identity from two highly reputed industry players.

A one-stop shop with the broadest client reach, geographical coverage and the largest distribution capabilities through more than 430 partnerships, ALD | LeasePlan is best placed to answer customers’ changing needs.

ALD | LeasePlan expects that its earning assets⁴ will grow strongly by +6%⁵ CAGR between 2023 and 2026, driven by higher-value vehicles (underpinned by the rising share of EVs⁶ in the funded fleet) and selective growth strategy to meet the Group’s profitability targets. Furthermore, the objective of reaching 200,000 active users of its MaaS⁷ platform, launched in 2022, by 2026, reflects its strong ambition to lead the transition to sustainable mobility and go beyond electrification, into MaaS.

² Source: CVA

³ Source: BCG, BofA, CVA and IEA

⁴ Net carrying amount of the rental fleet plus receivables on finance leases

⁵ Based on current market assumptions

⁶ Electric Vehicles: Battery Electric Vehicles and Plug in Hybrids

⁷ Mobility as a Service. Product currently known as “ALD Move”

- **Operational efficiency**

The efficient integration of LeasePlan is key in the success of ALD | LeasePlan's strategy. Conducted by the industry's best leadership team and people who share the same international culture and performance mindset, the integration of LeasePlan is fully on track.

The Group's first objectives were reached according to plan, allowing to confirm EUR 440 million annual run-rate synergies by 2026, evenly split between margin and procurement synergies on the one hand and cost synergies on the other hand.

ALD | LeasePlan expects that a substantial share of procurement synergies will stem from price and bonus improvement (c. 25% of total procurement synergies from price and bonus improvement on vehicles), while steering and cost control would also be strong sources of procurement synergies.

With "PowerUP 2026", ALD | LeasePlan will build the most efficient scalable global operating platform and derive cost synergies from efficiency improvements in the operating processes, IT cost savings as well as direct spend savings, including on real estate. As an illustration, IT cost per vehicle would be reduced by c. 20%, while fleet / FTE⁸ ratio would improve by 15% in 2026 compared to 2022.

By 2026, ALD | LeasePlan will improve its Cost / Income ratio (excluding Used Car Sales results) to best-in-class level of c. 52%, from 56%⁹ in 2022.

- **Responsibility**

ESG and risk management are at the core of ALD | LeasePlan's strategy and drive every one of the Group's actions.

ALD | LeasePlan will continue leading the way to sustainable mobility by always advising its clients about the greenest way. As a result, it targets EVs to attain 50% of new car registrations by 2026, a strong increase from 28% in 2022. By providing end-to-end solutions, the Group makes it simple for clients to choose electric and targets that 400,000 drivers will connect to its eMSP¹⁰ joint venture with ChargePoint, to be launched by the end of 2023.

"PowerUP 2026" contains ambitious decarbonization objectives. ALD | LeasePlan plans to sharply decrease the CO₂ emissions of its running fleet to less than 90g/km¹¹ on average by 2026 vs. 112g in

⁸ Full-time equivalent headcount

⁹ Combined entity, excluding Used Car Sales results, reduction in depreciation costs, costs to achieve the integration of LeasePlan and non-operating items

¹⁰ electric Mobility Service Provider

¹¹ WLTP (The Worldwide harmonized Light vehicles Test Procedure)

2022 and to decrease its internal CO₂ emissions¹² by -35% in 2026 vs. 2019. ALD | LeasePlan's people make the difference and therefore the company targets to maintain a high employee engagement rate of 75% in 2026.

Meanwhile, the Group will continue managing its risks responsibly, to ensure a strong and resilient performance over the long term. Its risk management lays on solid foundations, with a robust governance framework, the leverage of its parent Societe Generale's best-in-class policies and resources, as well as stronger risk management practices aligned with the Financial Holding Company regulated status and supervision by the European Central Bank.

ALD | LeasePlan has a strong framework in place to manage residual value risk, its largest risk, throughout the asset's life cycle. Additionally, its global multi-channel remarketing platform (600,000 vehicles sold p.a., access to a large range of buyers in 36 countries, of which 24,000 active traders) together with growing multi-cycle lease capabilities are efficient operational risk mitigants.

- **Profitability**

The combination of ALD and LeasePlan is highly synergetic. With "PowerUP 2026", ALD | LeasePlan targets to achieve 13% to 15% Return on Tangible Equity¹³ (ROTE) by 2026, a level at the high end of the financial sector. High capital generation will contribute to a robust capital position, with target Core Equity Tier 1 (CET 1) ratio at c. 12%. Furthermore, ALD | LeasePlan targets a dividend payout ratio of 50%¹⁴ throughout the 2023-2026 period, thus providing attractive returns to shareholders.

Financial targets to 2026

ALD | LeasePlan's operating environment changed abruptly over the recent years. The Group anticipates that inflation will remain high in 2023 before it gradually normalizes in 2024. Interest rates are expected to peak in 2023 and remain at a high level, leading to modest GDP growth in Western Europe. After a couple of years of disruptions in supply and logistic chains, new car production in Europe would normalize starting 2024 towards 2026. The shift to higher-value Electric Vehicles is expected to accelerate.

¹² Scope 1, Scope 2 and Scope 3 limited to business travel, paper and waste

¹³ Net income, Group share after deduction of interest on AT1 capital / average tangible equity after dividend provision

¹⁴ Of net income, Group share, after deduction of interest on AT1 capital

The Group applies the IFRS 3 “Business combinations” standard, whereby a Purchase Price Allocation (PPA) exercise is conducted. This exercise is currently ongoing. ALD | LeasePlan expects that the identification and recognition at fair value of acquired assets and liabilities will be completed by end 2023. Main items covered comprise the valuation of:

- LeasePlan vehicles’ cash flows;
- Intangible assets relating to customer relationships.

Limited impacts are expected from this PPA exercise on the opening balance sheet:

- Balance sheet: limited impact given the similarities between ALD and LeasePlan’s approaches to vehicles valuation;
- CET 1 capital: limited impact from upfront gain related to UCS depreciation curve alignment and intangible assets recognition;
- Income statement: prudent UCS profit assumed for the purpose of the PPA. For ALD in 2026, assumptions are at c. 20% of the 2023 anticipated level (before the impact of reduction in depreciation costs).

ALD | LeasePlan’s financial objectives to 2026 reflect the company’s ambition to grow its activity strongly throughout the period, while substantially improving its operating efficiency to best-in-class levels and maintaining robust solvency levels.

- Earning Assets CAGR of 6% between 2023 and 2026;
- Total annual pre-tax synergies confirmed at EUR 440 million by 2026, with progressive ramp-up: EUR 120 million by 2024, EUR 350 million by 2025, and the full amount of EUR 440 million by 2026;
- Total cumulated costs to achieve of EUR 525 million over 2022-2025. After EUR 128 million accounted for in 2022, ALD | LeasePlan expects these costs to reach a peak in 2023 and 2024 (EUR 170 million and EUR 190 million respectively), before they go down to EUR 37 million in 2025;
- Cost / income ratio (excluding Used Car Sales results) of c. 52% in 2026, from 56%¹⁵ in 2022. The improvement is explained by:
 - ✓ Margin increase (inflation on car prices and fleet growth): -9 percentage points;
 - ✓ Synergies: -10 percentage points, only partially balanced by

¹⁵ Cost / Income ratio of the combined entity in 2022, based on public disclosure, excluding UCS results, reduction in depreciation costs, costs to achieve the integration of LeasePlan and non-recurring items

- ✓ Costs related to capital and liquidity optimization, regulatory and funding: +5 percentage points;
- ✓ Inflation on overheads and cost of regulation: +10 percentage points.

At c. 52% in 2026, ALD | LeasePlan's Cost / Income positions as best-in-class, allowing ALD | LeasePlan to decisively widen the gap with competitors and reinforce its financial profile.

The deviation from the previous guidance of 47%, issued on 29 November 2022, is explained by higher inflation and LeasePlan IT costs that are currently being reviewed as part of ALD | LeasePlan's global digital architecture definition;

- Return on Tangible Equity in the range of 13%-15% in 2026, at the high end of the financial sector;
- Target CET1 ratio at 12% and Total Capital ratio at 16%;
- Dividend payout ratio at 50%.

Thanks to LeasePlan, the Group has access to a significant base of deposits, amounting to EUR 11 billion as at 30 June 2023, thereby strongly increasing the diversification of its funding sources. Funding from parent Societe Generale, bonds and retail deposits would each account for between 25% and 30% of total funding, while securitization and commercial loans would represent c. 10% each.

An established issuer on the market, ALD | LeasePlan has the best credit ratings among multi-brand car leasing player: Moody's A1, Standard & Poor's A- and Fitch A-. The Group expects to issue annually EUR 4-5 billion bonds through ALD S.A., EUR 1-1.5 billion securitization while increasing its retail deposits base by c. EUR 1 billion p.a.

On successful completion of "PowerUP 2026", ALD | LeasePlan will shape the future of mobility and address fast-growing markets from a clear leadership position, combining undisputed industry leadership, best position to capture growth and lead the transition to sustainable mobility, best-in-class operating efficiency, robust financial profile and strong track record of high profitability through the cycle.

Further details around ALD | LeasePlan's strategic targets will be presented on 21 September 2023, when ALD | LeasePlan holds its Capital Markets Day.

About ALD | LeasePlan's Capital Markets Day

Date: 21 September 2023, at 14.00 Paris time (13.00 London time)

Speakers:

- Tim Albertsen, CEO
- John Saffrett, Deputy CEO
- Berno Kleinherenbrink, Deputy CEO
- Patrick Sommelet, Deputy CEO and CFO

Webcast: <https://edge.media-server.com/mmc/p/cx7n2y8w>

Agenda

- **21 September 2023:** Capital Markets Day presentation
- **3 November 2023:** Trading update and Q3 results
- **8 February 2024:** Q4 and FY 2023 results

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About

ALD | LeasePlan

ALD | LeasePlan is a leading global sustainable mobility player providing full-service leasing, flexible subscription services, fleet management services and multi-mobility solutions to a client base of large corporates, SMEs, professionals and private individuals. With the broadest coverage in 44 countries through direct presence, ALD | LeasePlan is leveraging its unique position to lead the way to net zero and further shape the digital transformation of the industry through innovation and technology-enabled services to enable the transformation towards large scale adoption of sustainable mobility.

With 15,700 employees worldwide, ALD | LeasePlan manages 3.4 million vehicles (at end June 2023). ALD, whose majority shareholder is Societe Generale, is the listed company on Compartment A of Euronext Paris (ISIN: FR0013258662; Ticker: ALD).

Disclaimer

This document contains forward-looking statements relating to the targets and strategies of the ALD | LeasePlan Group. These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations. These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. These forward-looking statements are based on current beliefs and expectations and are subject to significant risks and uncertainties. Actual results and financial condition of the Group may differ, possibly materially, from those set forth in the forward-looking statements. The Group may be unable to: anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences; and/or evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation. Therefore, although ALD | LeasePlan believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, in particular in the Covid-19 crisis and Ukraine war context, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in ALD | LeasePlan's markets in particular, regulatory and prudential changes, and the success of ALD | LeasePlan's strategic, operating and financial initiatives. More detailed information on the potential risks that could affect ALD | LeasePlan's financial results can be found in the section "Risk Factors" in our Universal Registration Document filed with the French Autorité des Marchés Financiers (which is available on <https://www.aldautomotive.com/investor-relations/publications-and-documents/regulated-information>). Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, ALD | LeasePlan does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal. This presentation includes information pertaining to our markets and our competitive positions therein. Such information is based on market data and our actual revenues in those markets for the relevant periods. We obtained this market information from various third-party sources (publications, surveys and forecasts) and our own internal estimates. We have not independently verified these third-party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.